

First Union Rail Corporation

One O'Hare Center
6250 River Road, Suite 5000
Rosemont, Illinois 60018-4214
847 318-7575
Fax 847 318-7588

VIA FEDERAL EXPRESS



December 1, 1998

RECORDATION NO. 21818 FILED

DEC 2 '98

2-21 PM

Surface Transportation Board
Attn: Jan Fort
1925 K Street, N.W., Room 704
Washington, DC 20423-0001

Re: Memorandum of Lease Agreement

Dear Ms. Fort:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) originals and two (2) copies of a Memorandum of Lease Agreement, dated February 24, 1998, a primary document as defined in the Board's Rules for the Recordation of Documents. The names and addresses of the parties to the enclosed document are:

Lessor: First Union Rail Corporation
One O'Hare Centre
6250 River Road, Suite 5000
Rosemont, IL 60018

Lessee: The Texas Mexican Railway Company
1200 Washington Street
Laredo, TX 78042

A description of the railroad equipment covered by the enclosed document is set forth on Exhibit A, as attached to such Memorandum.

Also enclosed is a check in the amount of \$26.00 payable to the order of the Surface Transportation Board covering the required recordation fee. Kindly return one (1) stamped original of the enclosed document to the undersigned.

If you have any questions or concerns regarding the above-referenced matter, please feel free to contact me at (847) 384-5355. Thank you for your cooperation in this matter.

Very truly yours,

A handwritten signature in cursive script that reads "Susan Grokulskey".

Susan Grokulskey
Manager - Documents Administration

Enclosures

(TMEX001)

ASSIGN: TMEX001

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Memorandum of Lease

THIS MEMORANDUM OF LEASE (the "Memorandum") is made and entered into as of this the 24th day of February, 1998, by and between First Union Rail Corporation ("Lessor"), a North Carolina corporation, and The Texas Mexican Railway Company ("Lessee").

W I T N E S S E T H:

The undersigned Lessor and Lessee have entered into that certain Lease Agreement, dated as of February 24, 1998, whereby Lessor has agreed to lease to Lessee certain locomotives being described in more particular on Exhibit A attached hereto, effective as of the date set forth above and subject to the terms, conditions and provisions of said Agreement.

IN WITNESS WHEREOF, the parties hereto have each caused this Memorandum to be duly executed under seal by their respective officers duly authorized as of the date and year first above written.

LESSOR:

FIRST UNION RAIL CORPORATION

ATTEST:

By: [Signature]

Name: JACK THOMAS
President

Title: _____

By: [Signature]

Name: K. A. Dombrowski

Title: MANAGER - DOCUMENTATION Executed on this 13th day of Nov., 1998.

[CORPORATE SEAL]

STATE OF ILLINOIS

COUNTY OF COOK

I, Susan Grokulsky, a Notary Public of the County and State aforesaid, certify that John J. Thomas personally appeared before me this day and acknowledged his due execution of the foregoing Memorandum of Lease.

WITNESS my hand and official stamp or seal, this 13th day of November, 1998.

Susan Grokulsky
Notary Public

My Commission Expires:

8/14/2000
(Notary Public)



LESSEE:

THE TEXAS MEXICAN RAILWAY COMPANY

ATTEST:

By: *Larry D. Fields*

Name: LARRY D. FIELDS

Title: PRESIDENT & CEO

By: *Walter L. Winters II*

Name: Walter L. Winters II

Title: Sec & Treasurer

Executed on this 27th day of October, 1998.

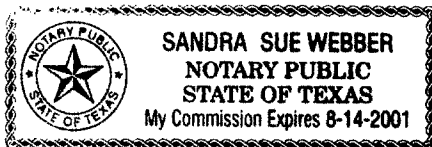
[CORPORATE SEAL]

STATE OF TEXAS

COUNTY OF WEBB

I, SANDRA SUE WEBBER, a Notary Public in and for said state and county, certify that LARRY D. FIELDS personally appeared before me this day and acknowledged his due execution of the foregoing Memorandum of Lease Agreement.

WITNESS my hand and official stamp or seal, this 27th day of October, 1998.



Sandra Sue Webber
Notary Public

My Commission Expires:

8-14-2001
(Notary Public)

EXHIBIT A
to
Memorandum of Lease

NUMBER OF CARS:

19

DESCRIPTION OF LOCOMOTIVES:

GP40-2 Locomotives, re-manufactured by
Boise Locomotive Company, with
Woodward CLC Microprocessor Controls

CAR NUMBERS:

TMR 1161 through 1179, inclusive